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UNCLAS SECTION 01 OF 02 KABUL 000268

DEPT FOR SCA/FO, SCA/RA, AND SCA/A
DEPT PASS AID/ANE
DEPT PASS USTR FOR DELANEY AND DEANGELIS
DEPT PASS OPIC
DEPT PASS TDA FOR STEIN AND GREENIP
CENTCOM FOR CSTC-A
NSC FOR JWOOD
TREASURY FOR MHIRSON, ABAUKOL, BDAHL, AND MNUGENT
OSD FOR SHIVERS
COMMERCE FOR DEES, CHOPPIN, AND FONOVICH

SENSITIVE

SIPDIS

E.O. 12958 N/A

TAGS: [ECIN](#) [ECPS](#) [ETRD](#) [EFIN](#) [AF](#)

SUBJECT: FINANCIAL SERVICES NOW AVAILABLE THROUGH MOBILE PHONES IN AFGHANISTAN

11. (SBU) SUMMARY: In October 2008, Roshan Telecom in partnership with First Micro Finance Bank of Afghanistan formally launched M-Paisa, a money transfer service through cell phones. M-Paisa allows cell phone users to deposit and withdraw funds through a licensed agent and then send and receive cash and make bill and loan payments through cell phones. In January 2009, Roshan boasted over 13,000 subscribers and 150 licensed agents. Roshan works closely with Da Afghanistan Bank (DAB), the Afghan central bank, to monitor transactions and highlight illicit activity. Roshan officials are optimistic about M-Paisa's prospective growth. By year's end, Roshan intends to expand to over 1,000 M-Paisa agents and to offer salary direct deposit through M-Paisa. M-Paisa is a positive step towards providing financial services to "unbanked" populations and could help the government of Afghanistan, in partnership with Roshan, build faith in financial services and develop capabilities in detecting and disrupting illicit financing. END SUMMARY.

12. (SBU) In a January 27 meeting, Roshan Telecom's Head of Government Relations Samir Saatchu and Director of Mobile Commerce and Product Marketing Zahir Khoja outlined to Econoff and Treasury Attach Roshan's ambitious new mobile money transaction program, M-Paisa. With its partner First Micro Finance Bank, Roshan formally launched M-Paisa October 28, 2008, and the program now has 13,000 subscribers. M-Paisa allows mobile phone users to deposit, withdraw, send, and receive money using their cell phones.

13. (SBU) M-Paisa works through SMS communication and a network of Roshan agents. Roshan customers register for M-Paisa with their identity documents (passport or government-issued national identification card, "tazkara"). Upon registration, customers can deposit money into their M-Paisa account through the agent. They then receive a text message indicating their balance. At this point, M-Paisa customers can use their phones to send money to another person. The recipient of an M-Paisa money transfer receives a text message on his mobile phone indicating that money has been sent to him. To redeem the credit, the recipient must visit one of Roshan's 150 agents to withdraw the funds. Users do not need to be Roshan mobile phone customers to receive money, but in order to open an M-Paisa account with an agent for depositing funds, users must have a Roshan account. M-Paisa customers can use English, Dari, or Pashto for the user interface and SMS messaging. To reach illiterate customers, Roshan has designed an interactive voice

recognition (IVR) system to guide users through the interface. In addition to money transfer, users can pay bills and manage loan payments using M-Paisa.

14. (SBU) Roshan officials highlighted the systems in place to prevent fraud and illicit transactions including a withdrawal limit of 2,000 USD per day and daily monitoring of transactions. Khoja notes that Roshan rejects new accounts daily because the tazkara or passport ID number used to register in these cases is already attached to an existing account. For example, someone who lives in Herat may have the same tazkara number as someone who lives in Jalalabad. Roshan is working with the Afghan government to resolve this issue. Khoja and Saatchu said that, in general, the national ID card requirement limits Roshan's target customer base for M-Paisa since only about 9 million of Afghanistan's 30 million people have IDs. As a licensed money service provider, Roshan is responsible for monitoring all transactions, reporting suspicious activity to the DAB, and providing the DAB with monthly reports of all transactions. To bolster their ability to report suspicious activity, Roshan says it is actively recruiting a full-time compliance officer.

15. (SBU) Roshan officials are optimistic about M-Paisa's prospective growth. They note the case of Kenya as an example of how M-Paisa can offer a viable alternative to hawalas for the "unbanked" population. Khoja said that Kenya currently has 3.5 million users and reports 300 million USD in transactions per month. Roshan expects to have over 1,000 agents by year's end. Currently Roshan has a pilot salary direct deposit program through M-Paisa with its own employees. Roshan plans to roll out the direct deposit program commercially later in the year. Khoja says that the Afghan National

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Police (ANP) have indicated an interest in such a program. ANP could more easily and transparently pay their officers in the provinces through M-Paisa rather than entrusting salaries to a police commander who may not pass on all of the salary money to his officers.

16. (SBU) Roshan officials acknowledge that there are still some glitches in the direct deposit program. For example, Afghan employees tend to withdraw all of their salary on payday because they do not trust not having their salaries in hand. Roshan officials said that direct salary deposit service will require additional planning and coordination throughout the country. Roshan said that they need to prepare agents to have the cash on hand to accommodate numerous withdrawals on payday. Roshan told Emboffs that they are exploring other options for expansion, including a partnership with Western Union to provide money transfer services using M-Paisa at Western Union locations.

17. (SBU) COMMENT: M-Paisa is a positive step towards providing financial services to the "unbanked" population and bringing Afghanistan into the 21st century. M-Paisa also offers greater financial transparency as the Government of Afghanistan continues work to provide heightened supervision in areas vulnerable to money laundering and terrorist financing. As M-Paisa expands and gains the trust of ordinary Afghans, we anticipate an increasing number of Afghans will choose this service over the more traditional and less transparent services offered by "hawala", a popular method of money transfer in Afghanistan. Moreover, this new service can offer a direct link between the lowest level police officer and his salary, ensuring that he receives his entire salary. A deal with the ANP could help diminish the control that police supervisors have on subordinates' remuneration and provide access to those in rural areas where electronic funds transfer is unavailable due to the lack of banking facilities. However, we have heard from reliable sources that the deal with ANP is in flux because Roshan will not accept liability for ANP's payments. END COMMENT.

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